

**ADELANTE (PUBLIC RE - REITS)**  
**DOMESTIC EQUITY: WILSHIRE REIT BENCHMARK**

FOR THE MONTH OF: **AUGUST** **2006**

**MANAGER PERFORMANCE CALCULATIONS**

\* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Adelante Total Return	2.52%	11.95%	29.94%	30.85%	24.21%
Wilshire REIT Index	3.44%	13.31%	26.18%	28.07%	21.39%

**PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS**

**For the month ending August 31, 2006** - The Account underperformed the Dow Jones Wilshire REIT Index by 92 basis points. While security selection was a drag, the portfolio's sector allocation to cash was the greater contributor to our relative performance. On August 28, \$20 million was returned to PERSI. Our best performing holding was Equity Residential Properties, gaining 7.2%. Essex is an apartment REIT with a national footprint. We exited our position in United Dominion Realty, an apartment REIT, and Lexington Corporate Properties. We have begun to establish a position in General Growth Properties, a regional mall REIT.

**For the quarter ending August 31, 2006** - The Account underperformed the Dow Jones Wilshire REIT Index ("Index") by 136 basis points. Cash was a major drag as well as the surge in the performance of the Storage REIT sector. Security selection was a very small positive contributor, led by our Regional Mall and Office holdings. For the quarter, the Storage sector was the best performing sector, advancing 21.6%, as the Public Storage / Shurgard merger was completed and a new management team joined U Store It. The Manufactured Housing sector had the most disappointing results, advancing 2.9, over the trailing quarter. Boston Properties was our best performing holding, gaining 21.0%.

**Outlook** – August delivered much better results than anticipated. This was the first slow month this year from a deal and news view point. We are continuing to prepare for the closing of the Pan Pacific Realty acquisition by Kimco Realty, at which time we will have cash to redeploy in the portfolio. We continue to monitor the private market demand for real estate assets to see what impact capital flows, slower economic growth and sentiment have on cap rates. Our sources have suggested that the 4th Quarter 2006 will be quite active.

**MANAGER STYLE SUMMARY**

*Adelante (formerly Lend Lease Rosen) manages the public real estate portfolio, comprised of publicly-traded real estate companies, primarily real estate investment trusts (REITs). Investments will generally fall into one of three categories as described in the Portfolio Attributes section: Core holdings, Takeover/Privatization candidates, and Trading Opportunities. Typical portfolio characteristics include current pricing at a discount relative to the underlying real estate value, attractive dividend prospects, low multiple valuations (P/FFO), and expert management. Chadwick Saylor (in conjunction with Hamilton Lane) oversees the investments in this portfolio, along with the private real estate portion.*

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**PORTFOLIO GUIDELINE COMPLIANCE**

AUGUST

2006

Portfolio Guideline:	Adelante	Wilshire REIT	Calc	Min	Max	Compliance
B2. All securities are publicly-traded real estate companies, primarily real estate investment trusts						ok
B3. Mkt Cap of Issuers of Securities in the Account				\$250		ok
B4. Single Security Positions <= 30% @ purchase						ok
B6a. P/FFO (12-mo trail)	21.60	18.79	1.15		1.30	ok
B6b. Beta	0.93	1.00	0.93	0.70	1.30	ok
B6c. Dividend Yield	3.00	3.67	0.82	0.80	2.00	ok
B6d. Expected FFO Growth	7.65	9.16	84%	80%	120%	ok
E2. Commissions not to exceed \$0.06/share						ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines						<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES**

There were no deviations.

**PORTFOLIO ATTRIBUTES**

Portfolio Guidelines section B5

**Core Holdings (40% - 100%)**

Actual: 72% ok

Consists of investments with the following characteristics: premier asset portfolios and management teams, attractive dividend yields, low multiple valuations, real estate property types or regions that are less prone to experience the impact of an economic slowdown.

**Takeover/Privatization Candidates (0% - 15%)**

Actual: 10% ok

Focuses on smaller companies which may be attractive merger candidates or lack the resources to grow the company in the longer-term. Also focuses on companies which may have interest in returning to the private market due to higher private market valuations.

**Trading Arbitrage (0% - 20%)**

Actual: 13% ok

Focuses on high quality companies which may become over-sold as investors seek liquidity.

**ORGANIZATIONAL/PERSONNEL CHANGES**

**ACCOUNT TURNOVER**

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):				